



## FISCAL HIGHLIGHTS

VOLUME 2, ISSUE 3

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**EXECUTIVE APPROPRIATIONS COMMITTEE**

JUNE 20, 2006

CO-CHAIRS

SENATOR LYLE HILLYARD &amp; REPRESENTATIVE RON BIGELOW

**Report: Federal Funds****Summary:**

Sophia DiCaro Goodick, Governor's Office of Planning and Budget, presented the list of federal fund grant applications since the last EAC meeting. The listing shows two new applications and ten reapplications requiring action by the EAC, twelve applications that have been approved by the Governor, and the tracking of 399 outstanding federal fund grants.

**Committee Action:**

The committee approved the twelve applications requiring EAC action.

**Staff Contact:** Juliette Tennert

**Report: Tax Commission Modernization Project****Summary:**

Tax Commission Executive Director Rod Marrelli and Chief Information Officer Steve Fletcher presented to Executive Appropriations Committee members baseline cost, schedule, and performance measurement data on the Tax Commission's effort to modernize its computer systems. Mr. Marrelli and Mr. Fletcher said that the upgrade - dubbed "Arches" - would be complete in January 2010 and cost \$30 million. Committee Vice-Chair Dave Clark asked Mr. Fletcher to confirm that the project development team was using detailed earned value measures. Representative Clark also asked whether \$2 million shaved from the first-year cost of Arches was a savings or a deferral, to which Mr. Marrelli responded it was a projected savings but had been retained in the program budget as "unallocated" resources. Mr. Marrelli said the Tax Commission would request \$22.5 million in direct appropriations for the project.

**Staff Contact:** Jonathan Ball

**Report: UCAT Governance and Process Report****Summary:**

Rich Kendell, Commissioner of Higher Education, presented the Utah College of Applied Technology (UCAT) study. UCAT provides short-term training to the workforce in a way which is responsive to business and industry. UCAT is a competency-based method of providing training. Commissioner Kendell briefly outlined the history of UCAT since its creation, then focused on the following four issues: Mission and Accreditation, Degrees and Transferability, Overlap and Duplication, and Organization and Governance.

*Mission and Accreditation:* UCAT programs of 900 clock hours or less can be approved by campus boards of directors. Programs over 900 clock hours go through a regional planning process and are eligible for fast-track approval from the Board of Regents. Campuses may seek accreditation.

*Degrees and Transferability:* While most UCAT students do not seek further education at credit-granting institutions, there are some specific articulation agreements where an institution agrees to recognize and grant credit for specific courses completed at a UCAT campus.

*Overlap and Duplication:* UCAT and other USHE institutions have worked collaboratively to eliminate unnecessary duplication between the two entities. A new "Regional CTE Program Planning Policy" helps facilitate this process.

*Organization and Governance:* UCAT's structure is unique in a few areas, such as the governance over the UCAT campus presidents; the UCAT budget being submitted directly to the Governor, Building Board and Legislature; and the composition of the UCAT Board of Trustees. No action was recommended for these structural differences.

**Staff Contact:** Spencer Pratt

## EXECUTIVE APPROPRIATIONS COMMITTEE

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### **Report:** Funding Mix for Compensation Increases

#### **Summary:**

The Legislature has been concerned that the current method for funding compensation increases could lead to higher tuition fees, increases in park fees and fish and game licenses. Mark Bleazard, Assistant Deputy Director, Fiscal Analyst's Office and support staff presented information in response to this concern.

Key points of interest include:

1. The current guidelines for funding compensation increases were approved by the Executive Appropriations Committee in 1994.
2. Approximately 78 percent of the funding for the compensation increases comes from the General fund, Uniform School Fund and Income Tax.
3. Some funding sources are more reliable than others; dedicated credits and restricted funds come from various sources and have different opportunities to expand to fund compensation increases.
4. Restricted funds for the Divisions of Wildlife Resources (DWR) and Parks & Recreation (Parks) come primarily from the sale of licenses and permits and park fees; but the number of hunters, fishers, and certain types of parks' visitors has been declining.
5. The Legislature increased salaries, benefits, internal service fund impacts and other post employment benefits and appropriated additional General Funds to DWR and Parks to prevent fee increases.
6. Utah and neighboring states predominantly fund wildlife agencies with wildlife-generated revenue; Utah's state parks' funding mix is in the middle when compared to other western states.
7. Utah's hunting and fishing fees are comparable to other western states; but state parks' fees are higher.
8. The funding mixes of the nine Higher Education institutions vary considerably.
9. When compensation adjustments are based on current revenue sources, the institutions are required to raise tuition to cover the portion of the compensation adjustment.

The report was informational only. The Office of the Legislative Fiscal Analyst made no recommendations on the findings of the report.

**Staff Contact:** Mark Bleazard

### **Report:** State Agency, Higher Education, and Judicial Branch Leasing

#### **Summary:**

Three entities in Utah can enter into leases: DFCM (on behalf of state agencies), higher education institutions, and the judicial branch. The Legislature allows agencies/institutions to manage their programs with leases without requiring legislative approval of each lease. DFCM is required to review state agency leases to ensure they are in the best interest of the state. Higher education institutions must receive Board of Regents approval before entering into state-funded leases costing more than \$50,000 per year or having a term of five years or more.

The nine traditional institutions of higher education lease 1.8 million square feet at an annual cost of almost \$22 million. Of

these amounts, the University of Utah comprises almost 1.4 million square feet at \$19 million. Most of the University of Utah's leases are in research, medical facilities, and other non-state funded areas. While total leased square feet for all state agencies/institutions has been growing at an average annual rate of 5.7 percent, if we exclude the University of Utah from the calculations, the average annual rate of change in leased square feet is a negative 2.5 percent.

The Analyst found no concerns about agency/institution leasing practices. State agency costs increased on average 2.4 percent per year between FY 2004 and FY 2006. Higher education institutions' costs increased more rapidly at 13 percent per year, but other than at the University of Utah, institutions are still paying low per-square-foot costs. In addition to the general overview of state leases, the Analyst scrutinized Judicial Branch leases. The Analyst had little concern with Court leases. Between FY 2003 and FY 2006, total square feet leased by the Courts decreased 4.0 percent annually while the average cost per square foot increased 1.1 percent. In comparison, DFCM leases for the same time period experienced total square foot increases of 3.0 percent annually while average cost per square foot increased 2.7 percent.

**Staff Contacts:** Steve Allred and Derek Byrne

### **Study:** Charter School Study - RFP Update

#### **Summary:**

Connie Steffen, Policy Analyst from the Office of Legislative Research and General Counsel, provided an updated Request for Proposals document to the committee. The document, updated from the May Executive Appropriations Committee, contained additional questions to be answered through the RFP and other components of the Charter School Study.

The Executive Appropriations Committee selected a subcommittee to oversee the selection process for the RFP. The subcommittee consists of the EAC co-chairs, the Majority Leaders from the House and Senate (or their designee), and the Minority Leaders from the House and Senate (or their designee). Currently, the deadline for selection of an RFP provider is planned for the end of July, 2006. Anticipated completion date for the RFP study is the end of September 2006.

**Legislative Action:** The Committee adopted the draft RFP proposal with changes made during the meeting and selected a subcommittee to finalize and issue the RFP in July.

**Staff Contacts:** Connie Steffen (LRGC), Mike Kjar, Ben Leishman, Derek Byrne

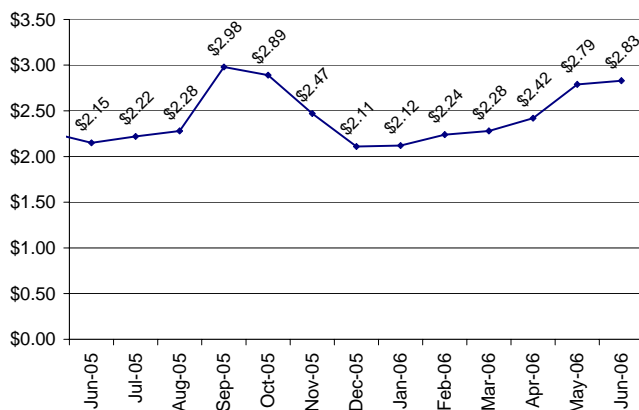
## Capital Facilities & Administrative Services

### ***Recent Gasoline Price Hikes Not Likely to Drive Increased Motor Pool Fees***

As every motorist is painfully aware, gasoline prices have been rising steadily. Today's prices are approximately equal to the spike that occurred last September and October after Hurricane Katrina (see chart below). Since that spike occurred simultaneously with last year's internal service fund (ISF) rate setting process, rates adopted in the 2006 General Session already include an expected rise in fuel prices. Assuming prices don't soon increase significantly, next year's motor pool rates shouldn't be affected by current fuel prices.

Although the state pays less than retail prices by avoiding 44 cents per gallon in taxes and negotiating volume discounts, the trend line is similar.

**Monthly Rocky Mountain Retail Gasoline Prices, Regular Grade**



Source: Energy Information Administration

Demand for oil in the U.S. and other big developed countries has eased in recent months, reaching a level that is actually lower than a year ago. The price of oil could stabilize if demand continues to grow at a slower pace.

Utah's Division of Fleet Operations is an ISF within the Department of Administrative Services. ISFs receive no legislative appropriations but recover their costs by charging fees to user agencies. Rates in the Motor Pool or another ISF may require other adjustments depending on circumstances. ISF rates must be approved by the Legislature.

**Staff Contact:** Steven Allred

### ***Construction Update: Work Begins on the Recently Approved Parking Structure***

With the recommendation of the Capitol Preservation Board and resolution of the May 2006 special legislative session, construction of a parking structure directly adjacent to the Capitol Building is now underway. Once the temporary construction and architectural offices on the east side of the capitol complex are moved to the west side, excavation for the two-level underground parking structure will begin in earnest. Water lines and communication conduits are being re-routed to clear the area for the excavation. Major excavation work is expected to begin in the latter part of July 2006.

Meanwhile, the Capitol building is in various stages of reconstruction; the base isolation component of the project is 80% complete, the terra cotta pieces on the exterior dome are 75-80% complete. The scaffolding is slated to be removed in August 2006. Inside the Capitol; framing, drywall, electrical, mechanical, plumbing, decorative painting and communication cables are all underway in virtually every area of the building. New carpets and historic lighting fixtures are being designed and ordered. The CPB Art Placement Committee has approved several art works for purchase in the new building, and has more than 50% of their budget still in place. The new chillers in the heating plant are now in operation; supplying cold water for air conditioning to the East and West buildings (and for the Capitol when complete). Huge blocks of marble will soon be shipped from Italy to the USA to be carved into four large stone lions which will be placed at the prominent entrances of the Capitol.

The Capitol project remains on schedule and on budget. The project scope now includes the new parking structure which is expected to be finished in conjunction with the Capitol re-opening. A ten-day open house will precede the dedication ceremony planned for Statehood Day on January 4, 2008.

**Staff Contact:** Todd Wardrop

## Natural Resources

### ***Division of Wildlife Resources Aims to Reverse Trend of Declining Anglers***

Almost two-thirds of the funding for the Division of Wildlife Resources (DWR) comes from the sale of hunting & fishing licenses. However, the number of hunter and anglers in Utah, as well as nationally, has been declining in recent years. In fact, in the past decade DWR lost over 100,000 anglers (about 20 percent). Although there are many external factors that influence this trend, such as drought, economy, gas prices, competing entertainment, DWR is convinced that these anglers can be lured back. This year DWR is increasing its efforts to bring back lapsed anglers and introduce the sport of fishing to a new generation. To accomplish this, DWR is: 1) Sending post cards to lapsed anglers, urging them to go fishing; 2) Running a billboard campaign during the summer to encourage folks to go fishing; 3) Attempting to develop new promotional partnerships with local sporting goods vendors, special events like the International Sportsman Exposition, and even spectator sports like the Salt Lake Bees or Real Salt Lake; 4) Developing a dynamic customer-centric fishing information Web page to direct anglers where to go and what to do relative to fishing; 5) Mounting an aggressive media campaign on radio, TV and in the news papers to promote fishing; and 6) Encouraging all employees to draw attention in every public contact to the great fishing opportunities across the state.

DWR reported that success is already occurring and anticipate a substantial increase in revenue for the Division. Anglers also contribute greatly to the whole economy of the state. It is estimated that expenditures by anglers represents a \$393,000,000 annual exchange of money within Utah's communities.

**Staff Contact:** Ivan Djambov

## Executive Offices & Criminal Justice

### Identity Fraud and Theft

The U.S. Department of Justice has defined Identity Fraud and Identity Theft as crimes in which someone wrongfully obtains and uses another individual's personal data in a way that involves fraud or deception, typically for economic gain.

The State of Utah has statutorily defined Identity Fraud as the knowing and intentional acquisition of the personal identifying information of another person without the authorization of that person; and the use or attempted use of that information to fraudulently obtain credit, goods, services, any other thing of value, or medical information in the name of another person without the consent of that person.

Identity Fraud/Theft statistics reported by the Federal Trade Commission for the nation and the State of Utah are listed in the following table:

**Federal Trade Commission Identity Theft Victim Complaint Data, Utah and the United States  
Calendar Years 2002-2005**

Calendar Year	United States		Utah		Utah Rank*
	Number	Change	Number	Change	
2002	161,819	na	886	na	25
2003	215,177	32.97	1,326	49.66	22
2004	246,847	14.72	1,831	38.08	14
2005	255,565	3.53	1,668	(8.90)	20

\*Utah has consistently remained in the second highest quartile of victimization per 100,000 population in the nation during the reported time period.  
Source: Federal Trade Commission, Washington, D.C.

The Legislature passed Utah's first Identity Fraud Statute in 2000 (Utah Code Unannotated 76-6-1101). The Legislature subsequently passed supporting legislation in following years, thereby creating additional effective tools for law enforcement to prosecute Identity Fraud activity.

During the 2003 General Session, the Legislature transferred the responsibility of investigating Identity Fraud cases from the Division of Consumer Protection to the Office of the Attorney General. The Legislature transferred \$50,000 in ongoing funds and one FTE to the Attorney General for this effort. The Attorney General created the Identity Fraud Investigative Unit (IFIU) in 2003 and assigned one investigator. The caseload has increased each year since 2003. The following table illustrates this growth:

**Utah State Attorney General  
Identity Theft Victim Complaint Data\*  
Fiscal Years 2003-2005**

Fiscal Year	Complaints Received	Cases Investigated	Suspects Charged
2003	220	10	2
2004	338	30	6
2005**	711	75	15

\*Data is not part of the Federal Trade Commission data in the previous table.

\*\*Projected data based on the first eight calendar months of information.

Source: Utah State Attorney General

In fulfilling statutory responsibilities, the Attorney General created the IRIS Identity Theft Reporting Information System website (located at <http://www.idtheft.utah.gov/pn/>). The site provides information and tools for citizens to use to protect themselves and or seek law enforcement assistance if they have been victimized.

The Legislature has continued its support of the battle against Identity Fraud/Theft during the 2006 General Session. The Legislature provided \$73,100 in ongoing General Funds beginning FY 2007 for one additional Identity Fraud investigator.

**Staff Contact:** Gary Ricks

## Health & Human Services

### Medicaid Interim Committee Meeting Update

The Medicaid Interim Committee met for the first time on June 14, 2006. The primary objectives of the Committee are Medicaid cost management and accountability. The Committee is reviewing all Health and Human Services programs with the intent to address the \$20 million of Medicaid funding that was shifted to the Department of Human Services to offset other federal funding reductions. Long-term Medicaid cost containment is also being studied.

The information from the meeting can be accessed at: <http://www.le.state.ut.us/asp/interim/Commit.asp?Year=2006&Com=INTMED>.

**Staff Contacts:** William Greer and Debbie Headden

## Higher Education

### Enrollment in Higher Education in Utah projected to remain level

A study completed by the University of Utah's Bureau of Economic and Business Research shows that for the next 12 years, the college-age population will grow slowly or not at all. Enrollment has been flat for the past two years and trends indicate that it will remain so until 2018, when an "echo wave" is projected to occur. During the 1990s, a surge in the 18 to 24 year old population moved through the colleges and universities. The participation rate in Utah colleges and universities was approximately 40 percent in 1990, but dropped to 36.6 percent in 2000. Nationwide trends show a smaller decrease.

In an effort to encourage students to choose to enroll in higher education, officials from public education and higher education have formed an alliance which will emphasize more rigorous courses in grades nine through 12 and target minority students. Public awareness programs will assist in these efforts.

**Staff Contact:** Spencer Pratt



## Federal Funds

### New Federal Grant Approvals

As noted in the Executive Appropriations Committee update, EAC approved two new applications for federal fund grants during its June meeting. These grants are described below.

The **Utah Division of Substance Abuse and Mental Health** has applied for \$2.3 million in federal funds (for the 2007 federal fiscal year) through the **Strategic Prevention Framework State Incentive Grant** (SPF-SIG) administered by the U.S. Substance Abuse and Mental Health Services Administration (SAMHSA). SAMHSA requires grant recipients to use funds to implement its Strategic Prevention Framework in order to: 1) prevent the onset and reduce the progression of substance abuse, including childhood and underage drinking, 2) reduce substance abuse-related problems in communities, and 3) build prevention capacity infrastructure at the state and community levels. If the Division of Substance Abuse and Mental Health receives SPF-SIG funding, it will pass through 85 percent, approximately \$1.96 million, to 13 local substance abuse

authorities for an array substance abuse prevention activities; one particular focus will be underage drinking prevention. Remaining grant monies will be used for staff and an epidemiological work group. The grant requires no matching state funds or new employees. (This grant application is still pending.)

The **Source Reduction Assistance Grant** annual award, for which the **Department of Environmental Quality** has applied, totals \$25,000 and requires \$1,300 in matching state funds (for the 2007 federal fiscal year). If the U.S. Environmental Protection Agency approves the Department's request, funds will be used for educational outreach to help Utah hospitals reduce mercury by identifying mercury sources and suggesting ways to eliminate the substance. The state match will be General Fund and the grant requires no new employees. (This grant application is still pending.)

**Staff Contacts:** Juliette Tennert (Federal Funds), Debbie Headden (Human Services), & Mark Bleazard (Environmental Quality)

## Online Publications

### Useful Budget Information At Your Fingertips

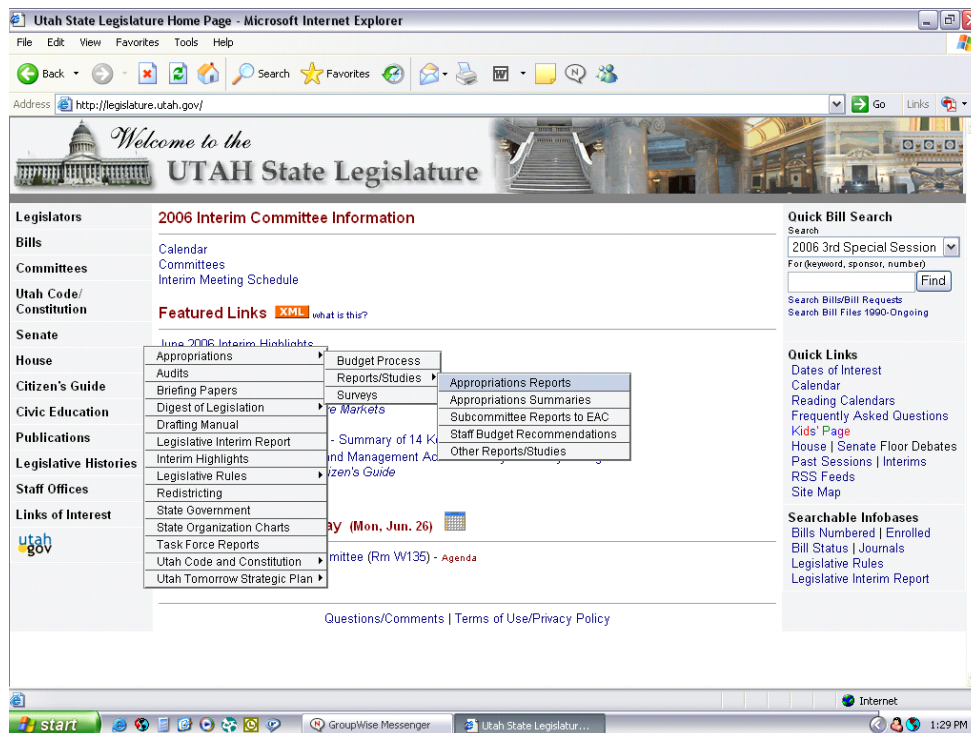
We have updated the Legislature's web site so that popular budget documents are more easily accessible! For some time now Legislators, agency employees, and citizens have been able to access Fiscal Analyst publications on [www.le.utah.gov](http://www.le.utah.gov). Users could filter and sort documents by subcommittee, date, and title. However, with over 700 documents now available on the site, finding major publications was not easy.

With an added layer of navigation, users can now find our most

used publications — appropriations summaries, appropriations reports, issue briefs, budget briefs, and our Compendia of Budget Information — with the click of a button. Simply choose a desired "document type" from our "Publications" menu and view the results.

And soon the very document you are reading and others like it will appear on our "document type" menu as "Fiscal Highlights".

**Staff Contact:** Jon Ball



## State Budget

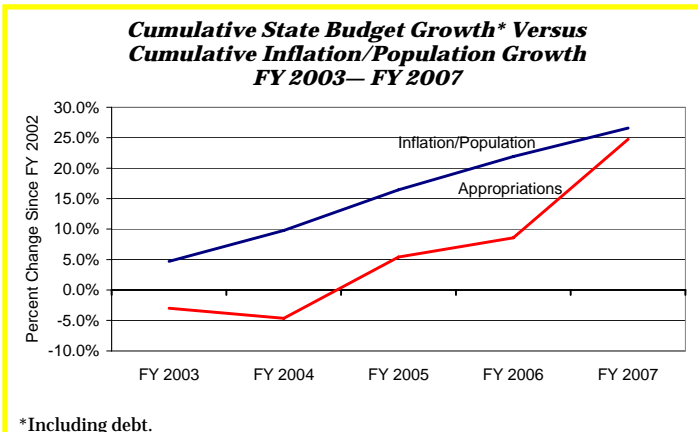
### ***Did We Really Grow Government by 17.6%?***

Recently, private advocacy groups and the news media have reported that Legislators increased the state's tax-funded budget by 17.6% for fiscal year 2007. This is true if one compares FY 2007 General and Education Fund appropriations to original FY 2006 appropriations before supplementals. However, it is only part of the story.

Official figures released by the Office of the Legislative Fiscal Analyst and Governor's Office of Planning and Budget show that from FY 2006 to FY 2007 "state fund" (General Fund and Education Fund) budgets will increase by 16.3%. The difference between 17.6% and 16.3% is that 17.6% compares 2006 General Session appropriations for FY 2007 to 2005 General Session appropriations for FY 2006. The 17.6% figure does not reflect supplemental appropriations added to FY 2006 during the 2006 General Session. The 16.3% figure may increase due to subsequent FY 2007 appropriations action during a special session or the 2007 General Session. But it may also decrease, as demonstrated in fiscal years 2002 and 2003.

Neither 17.6% nor 16.3% can be called "government growth" as neither accurately accounts for expenditure of tax revenue in lieu of other funding sources. For example, in past years legislators have authorized General Obligation bonds to finance roads and buildings. Between fiscal years 2002 and 2006, the state borrowed \$162 million per year on average to build roads and facilities. For FY 2007, not only is the Legislature still repaying those previous bonds, it has accelerated its expenses - and avoided future debt - by adding \$438 million in cash for buildings and roads.

When corrected for past borrowing and taken in context over the past five years, average annual state fund growth for FY 2003 through FY 2007 equals 4.95%. As the figure below demonstrates, when compared with FY 2002, cumulative state fund government growth has been lower than cumulative population and inflation growth for each year including FY 2007.



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